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Message Text

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PAGE 01 STOCKH 03868 130824Z
ACTION EB-08

INFO OCT-01 EUR-12 EA-10 ISO-00 SP-02 USIA-06 AID-05
NSC-05 TRSE-00 SS-15 STR-05 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 PA-01 PRS-01 /093 W
----------071921 130942Z /23
R 121503Z SEP 77
FM AMEMBASSY STOCKHOLM
TO SECSTATE WASHDC 1665
INFO AMEMBASSY ANKARA
AMEMBASSY ATHENS
AMEMBASSY BELGRADE
AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY HELSINKI
AMEMBASSY LISBON
AMEMBASSY LUXEMBOURG
AMEMBASSY MADRID
AMEMBASSY OSLO
AMEMBASSY PARIS
AMEMBASSY REYKJAVIK
AMEMBASSY ROME
AMEMBASSY TOKYO
AMEMBASSY VIENNA
AMEMBASSY LONDON

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E.O. 11652: N/A
TAGS: EFIN, SW
SUBJECT: KRONA DEVALUATION: IMMEDIATE EFFECTS

REF: STOCKHOLM 3727

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1. THE EFFECTIVE DATE OF THE TEN PERCENT DEVALUATION OF THE SWEDISH KRONA WAS AUGUST 29. RIKSBANK RELEASE DATED SEPT 12 FOR WEEK ENDING SEPT 7 SHOWS OFFICIAL GOLD AND FOREIGN EXCHANGE RESERVES UP 1.5 BILLION KRONOR ($308 MILLION AT 4.85 PER DOLLAR). IN FACT, DURING WEEK OF DE-VALUATION RESERVES WENT UP BY 566 MILLION KRONOR.

2. A GOOD PART OF INFLUX APPEARS DUE TO FACT THAT GOVERNMENT WAITED FOR DEVALUATION BEFORE CONVERTING OFFICIAL BORROWINGS ABROAD INTO KRONOR (ABOUT 971 MILLION KRONOR). BY DEVALUING BEFORE CONVERSION THE GOVERNMENT DID, OF COURSE, SAVE TEN PERCENT. ANOTHER LARGE PORTION OF THE INFLUX REPRESENTS RE-VERSION TO NORMAL LEADS AND LAGS. COMPANIES WHICH HAD POSTPONED BORROWING (OR CONVERSION OF BORROWINGS) OR POSTPONED CONVERSION OF EXPORT EARNINGS ARE NOW RETURNING TO NORMAL PROCEDURES.

3. THESE FIGURES ARE NOT NECESSARILY PROOF OF OUR THESIS THAT LEADS AND LAGS WERE RESPONSIBLE FOR MOST OF THE PRESSURE ON THE KRONA BEFORE DEVALUATION OR THAT SUCH PRESSURE COULD HAVE BEEN RIDDEN OUT BY THE GOVERNMENT. THEY ARE REASONABLE PROOF THAT THIS DE-VALUATION HAS BEEN ACCEPTED BY THE MARKET AS SUFFICIENT FOR THE TIME BEING. IN FACT, ACCORDING TO VARIOUS REPORTS, THE RIKSBANK HAS ACTUALLY HAD TO INTERVENE
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IN THE MARKET TO PREVENT THE KRONA FROM RISING AGAINST THE 15-NATION-BASKET PEG. THE PICTURE OF THE SWEDISH GOVERNMENT INTERVENING AGAINST THE KRONA IS INDEED AN INTERESTING REVERSAL OF EXPERIENCE IN THE IMMEDIATE PAST.
PERRY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
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Concepts: KRONA, DEVALUATIONS
Control Number: n/a
Copy: SINGLE
Sent Date: 12-Sep-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Handling Restrictions: n/a
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ISecure: 1
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Litigation History:
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Office: ACTION EB
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Original Previous Classification: n/a
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Reference: 77 STOCKHOLM 3727
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 22-Nov-2004 12:00:00 am
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Review Exemptions: n/a
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SAS ID: 1301747
Secure: OPEN
Status: NATIVE
Subject: KRONA DEVALUATION: IMMEDIATE EFFECTS
TAGS: EFIN, SW
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Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/e5530548-c288-dd11-92da-001cc4696bcc
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